


State of Rhode Island and Providence Plantations
DEPARTMENT OF EDUCATION
Shepard Building
255 Westminster Street
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Deborah A. Gist
Commissioner

July 23, 2009

TO: School Superintendents and School Business Managers

CC: Dan Beardsley, RI League of Cities & Towns
Tim Duffy, RI Association of School Committees

FROM: Deborah A. Gist, Commissioner 
Department of Elementary and Secondary Education

SUBJECT: State Fiscal Stabilization Funds

It has come to our attention that there has been some confusion by municipalities about the purpose and use of the State Fiscal Stabilization Funds, as contained in the federal American Recovery and Reinvestment Act (ARRA). To help clarify this issue, we are providing the following information and guidance concerning the restricted nature of these funds.

As part of the distribution of ARRA funds, State Fiscal Stabilization Funds (SFSF) for education were awarded by the United States Department of Education (USDOE) upon approval of the Governor's application and assurances to advancing education reforms. In accordance with the Guidance issued by the U.S. Department of Education, "the Governor may not retain any portion of the Education Stabilization Fund for State purposes, nor award any portion of this allocation to entities other than local educational agencies and public institutions of higher education."

Local educational agencies must submit an application detailing the use of their State Fiscal Stabilization funding to the Rhode Island Department of Education (RIDE). The local educational agency (LEA) must obligate the funds for specific allowable education-related activities during the period of fund availability. Upon receipt of an approvable application, RIDE will make a federal grant award to the LEA for the amount specified in the application. Due to the unprecedented level of transparency and accountability associated with this funding source, LEAs must maintain accurate, complete, and reliable documentation of all State Fiscal Stabilization expenditures. The OMB has issued government-wide guidance on the ARRA reporting requirements and

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procedures. All funds awarded under this act will be subject to increased scrutiny and reporting requirements.

These SFSF funds **cannot** be treated as local revenue from the city to their school district. In addition, any indication of misappropriation of these funds will be met with an immediate response from the US Department of Education and the Office of the Inspector General.

To summarize, in accordance with the language of the ARRA and USDOE Guidance, SFSF funds are for local educational purposes; they must be placed in a restricted fund in accordance with the Uniform Chart of Accounts; and the use of the funds must be in accordance with an approved application. You may be assured that this Department is working closely with your local school districts to maximize flexibility in the use of these education funds in accordance with federal requirements.

I hope that this information has helped to clarify the restricted nature of these funds. I trust you will forward this memorandum to the appropriate municipal officials across the state. Please do not hesitate to contact Carolyn Dias, Chief Operating Officer at Carolyn.Dias@ride.ri.gov or 222-4645 if you have any further questions.

cc: David V. Abbott
Carolyn Dias
Beverly Najarian
Peder Schaefer